

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|--|---------------------------------|--|-----------------|
| Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name: <u>Downriver Mutual Aid</u> | County Wayne |
| Audit Date September 30, 2005 | Opinion Date January 9, 2006 | Date Accountant Report Submitted To State: June 6, 2006 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|-------------------------------------|--------------------------|-------------------------------------|
| The letter of comments and recommendations. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Reports on individual federal assistance programs (program audits). | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Single Audit Reports (ASLGU). | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | | | |
|---|--------------------|-------------|--------------|
| Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC | | | |
| Street Address 27400 Northwestern Hwy | City Southfield | State MI | ZIP 48034 |
| Accountant Signature  | | | |

Downriver Mutual Aid

**Financial Report
with Supplemental Information
September 30, 2005**

Downriver Mutual Aid

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Independent Auditor's Report

To the Board of Directors
Downriver Mutual Aid

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Mutual Aid as of and for the year ended September 30, 2005, which collectively comprise Downriver Mutual Aid's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Downriver Mutual Aid's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Mutual Aid as of September 30, 2005 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Downriver Mutual Aid's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors
Downriver Mutual Aid

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2006 on our consideration of Downriver Mutual Aid's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

January 9, 2006

Downriver Mutual Aid

Management's Discussion and Analysis

Our discussion and analysis of Downriver Mutual Aid's (DMAid) financial performance provides an overview of DMAid's financial activities for the fiscal year ended September 30, 2005. Please read it in conjunction with DMAid's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended September 30, 2005:

- The financial report for the year ended September 30, 2004 was the first year of complete implementation of Governmental Accounting Standards Board Statement Number 34, which significantly changed the content and format of municipal financial reporting. Accordingly, these statements present the second year of entity-wide financial information for all governmental and business activities in addition to reporting financial information at the fund level.
- During the current year, the Downriver Mutual Aid fire chiefs have been exploring the possibility of fire consolidation through a \$150,000 grant from the Wayne County Department of Homeland Security and Emergency. This study will continue through the 2005-2006 fiscal year.
- The 911 Fund had an increase in expenditures by \$490,711 over last year. The increase in expenditures is due primarily to the Z-release software upgrade by Motorola. The cost of the upgrade was \$265,202. In addition, DMAid has a three-year maintenance agreement for the E911 system, costing \$257,822 per year. The maintenance agreement is set to expire on September 30, 2007. The software upgrades and maintenance costs were paid out of the E911 user fees and COPS grant.
- The COPS I grant came to an end in August 2005. Each community received an allocation (based upon population) of the COPS grant and had to spend the grant money on improving community policing services and technology. The money from this grant assisted many communities in updating to Phase I and Phase II compliance with the E911 system. This grant was spread out between two fiscal years, most of which was spent during the 2003-2004 fiscal year.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of DMAid as a whole and present a longer-term view of DMAid's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Downriver Mutual Aid

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report DMAid's operations in more detail than the government-wide financial statements by providing information about DMAid's most significant funds.

DMAid as a Whole

The following table shows, in a condensed format, the net assets as of September 30, 2005 and 2004:

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2005 | 2004 |
| Assets | | |
| Current assets | \$ 2,734,561 | \$ 2,640,248 |
| Noncurrent assets | 6,843,606 | 7,694,422 |
| Total assets | 9,578,167 | 10,334,670 |
| Liabilities | | |
| Current liabilities | 1,179,971 | 1,270,096 |
| Noncurrent liabilities | 3,710,141 | 4,433,570 |
| Total liabilities | 4,890,112 | 5,703,666 |
| Net Assets | | |
| Invested in capital assets - Net of related debt | 2,410,036 | 2,582,494 |
| Restricted for 911 expenditures | 1,220,389 | 1,299,668 |
| Restricted for grant expenditures | 924,048 | 665,467 |
| Unrestricted | 133,582 | 83,375 |
| Total net assets | <u>\$ 4,688,055</u> | <u>\$ 4,631,004</u> |

DMAid's combined net assets total \$4.7 million for the fiscal year ended September 30, 2005. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted for a specific purpose/use, and invested in capital assets total \$4.6 million. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$133,582.

Downriver Mutual Aid

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for the years ended September 30, 2005 and 2004:

| | Governmental Activities | |
|---|-------------------------|-------------------|
| | 2005 | 2004 |
| Revenue | | |
| Program revenue: | | |
| Charges for services | \$ 1,759,754 | \$ 2,002,099 |
| Operating grants and contributions | 1,547,322 | 1,619,484 |
| General revenue - Miscellaneous revenue | 18,381 | 5,276 |
| Total revenue | 3,325,457 | 3,626,859 |
| Program Expenses | | |
| Police | 50,463 | 47,416 |
| Fire | 61,522 | 69,243 |
| DRANO operations | 199,149 | 206,475 |
| Highway safety | 354,581 | 308,954 |
| Auto theft | 48,376 | 53,342 |
| Drug enhancement | 132,353 | 134,270 |
| 911 | 1,936,099 | 1,445,388 |
| COPS | 280,989 | 706,673 |
| Michigan State Police/Chief | 204,874 | 189,626 |
| Total program expenses | 3,268,406 | 3,161,387 |
| Change in Net Assets | \$ 57,051 | \$ 465,472 |

Governmental Activities

Governmental activities are those activities (such as police and fire) provided to the constituents of DMAid and supported by member assessments, forfeitures, and grants.

DMAid's Funds

Our analysis of DMAid's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not DMAid as a whole. The DMAid board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. DMAid's major funds for 2005 include the highway safety program, 911 activities, and Michigan State Police/Chief activity.

Downriver Mutual Aid

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2005, DMAid had \$6.8 million invested in a broad range of capital assets, including 911 equipment. These assets are necessary to carry out the day-to-day operations of Downriver Mutual Aid.

Economic Factors and Next Year's Budgets and Rates

The money collected from the 911 user fees is used to make monthly payments on the debt associated with the 911 equipment. Although the provision to charge user fees sunsets in December 2006, our legal counsel believes user fees can continue to be assessed until the debt is paid in full.

Contacting DMAid's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of DMAid's finances and to show DMAid's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the accounting office.

Downriver Mutual Aid

Statement of Net Assets September 30, 2005

| | Primary Government Governmental Activities |
|--|---|
| Assets | |
| Cash and investments (Note 3) | \$ 1,060,856 |
| Due from other governmental units | 424,956 |
| Prepaid and other assets | 128,911 |
| Restricted assets (Note 9) | 1,119,838 |
| Capital assets - Net (Note 4) | <u>6,843,606</u> |
| Total assets | <u><u>\$ 9,578,167</u></u> |
| Liabilities and Net Assets | |
| Liabilities | |
| Accrued and other liabilities | \$ 442,438 |
| Due to other governmental units | 14,104 |
| Noncurrent liabilities (Note 8): | |
| Due within one year | 723,429 |
| Due within more than one year | <u>3,710,141</u> |
| Total liabilities | 4,890,112 |
| Net Assets | |
| Invested in capital assets - Net of related debt | 2,410,036 |
| Restricted for 911 expenditures | 1,220,389 |
| Restricted for grant expenditures | 924,048 |
| Unrestricted | <u>133,582</u> |
| Total net assets | <u>4,688,055</u> |
| Total liabilities and net assets | <u><u>\$ 9,578,167</u></u> |

Downriver Mutual Aid

Statement of Activities Year Ended September 30, 2005

| | | | | Net (Expense) Revenue and Changes in Net Assets |
|-------------------------------|---------------------|---------------------|---------------------|--|
| | | Program Revenues | | |
| | | | Operating | |
| | | Charges for | Grants and | Governmental |
| | Expenses | Services | Contributions | Activities |
| Functions/Programs | | | | |
| Police | \$ 50,463 | \$ - | \$ 71,480 | \$ 21,017 |
| Fire | 61,522 | - | 90,712 | 29,190 |
| DRANO operations | 199,149 | - | 189,788 | (9,361) |
| Highway safety | 354,581 | - | 374,246 | 19,665 |
| Auto theft | 48,376 | - | 26,054 | (22,322) |
| Drug enhancement | 132,353 | - | 117,306 | (15,047) |
| 911 | 1,936,099 | 1,759,754 | - | (176,345) |
| COPS | 280,989 | - | 287,224 | 6,235 |
| Michigan State Police/Chief | 204,874 | - | 390,512 | 185,638 |
| Total governmental activities | <u>\$ 3,268,406</u> | <u>\$ 1,759,754</u> | <u>\$ 1,547,322</u> | 38,670 |
| | | | | |
| | | | | General Revenues - Interest |
| | | | | 18,381 |
| | | | | Change in Net Assets |
| | | | | 57,051 |
| | | | | Net Assets - Beginning of year |
| | | | | 4,631,004 |
| | | | | Net Assets - End of year |
| | | | | <u>\$ 4,688,055</u> |

Downriver Mutual Aid

Governmental Funds Balance Sheet September 30, 2005

| | Major Funds | | | Nonmajor | Total |
|--|-------------------|---------------------|--------------------------------|-----------------------|-----------------------|
| | Highway Safety | 911 | Michigan State Police/Chief | Governmental Funds | Governmental Funds |
| Assets | | | | | |
| Cash and investments (Note 3) | \$ 131,493 | \$ 9,100 | \$ 650,394 | \$ 269,869 | \$ 1,060,856 |
| Due from other governmental units | 159,534 | 230,125 | - | 35,297 | 424,956 |
| Due from other funds (Note 6) | - | - | - | 35,465 | 35,465 |
| Prepaid and other assets | - | 128,911 | - | - | 128,911 |
| Restricted assets | - | 1,119,838 | - | - | 1,119,838 |
| Total assets | <u>\$ 291,027</u> | <u>\$ 1,487,974</u> | <u>\$ 650,394</u> | <u>\$ 340,631</u> | <u>\$ 2,770,026</u> |
| Liabilities and Fund Balances (Deficit) | | | | | |
| Liabilities | | | | | |
| Accrued and other liabilities | \$ 291,027 | \$ 37,460 | \$ 90,863 | \$ 23,088 | \$ 442,438 |
| Due to other governmental units | - | - | - | 14,104 | 14,104 |
| Due to other funds (Note 6) | - | - | 35,465 | - | 35,465 |
| Deferred revenue (Note 5) | 159,534 | 230,125 | - | - | 389,659 |
| Total liabilities | 450,561 | 267,585 | 126,328 | 37,192 | 881,666 |
| Fund Balances (Deficit) | | | | | |
| Reserved for prepaid expenditures | - | 128,911 | - | - | 128,911 |
| Reserved for grant expenditures | - | 1,091,478 | 524,066 | 169,857 | 1,785,401 |
| Unreserved, reported in Special Revenue Funds | (159,534) | - | - | 133,582 | (25,952) |
| Total fund balances (deficit) | (159,534) | 1,220,389 | 524,066 | 303,439 | 1,888,360 |
| Total liabilities and fund balances (deficit) | <u>\$ 291,027</u> | <u>\$ 1,487,974</u> | <u>\$ 650,394</u> | <u>\$ 340,631</u> | <u>\$ 2,770,026</u> |
| Fund Balance - Total Governmental Funds | | | | | \$ 1,888,360 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | | | | | 6,843,606 |
| Revenue is expected to be collected in a future period and is not available to pay for current year expenditures | | | | | 389,659 |
| Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds | | | | | (4,433,570) |
| Net Assets - Governmental Activities | | | | | <u>\$ 4,688,055</u> |

Downriver Mutual Aid

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended September 30, 2005

| | Major Funds | | | Nonmajor | Total |
|--|---------------------|---------------------|--------------------------------|-----------------------|-----------------------|
| | Highway Safety | 911 | Michigan State Police/Chief | Governmental Funds | Governmental Funds |
| Revenue | | | | | |
| Membership assessments | \$ - | \$ - | \$ - | \$ 249,445 | \$ 249,445 |
| Federal grants | 345,004 | - | - | 287,224 | 632,228 |
| State and local grants | - | - | - | 19,733 | 19,733 |
| Reimbursements and other revenue | - | - | - | 45,578 | 45,578 |
| Forfeiture receipts: | | | | | |
| Federal | - | - | 371,611 | 7,124 | 378,735 |
| State | - | - | 18,901 | 187,564 | 206,465 |
| Interest | - | 18,381 | - | - | 18,381 |
| 911 user charge | - | 1,665,981 | - | - | 1,665,981 |
| Total revenue | 345,004 | 1,684,362 | 390,512 | 796,668 | 3,216,546 |
| Expenditures | | | | | |
| Salaries | 2,313 | 850 | - | 131,957 | 135,120 |
| Fringe benefits | 344 | 119 | - | 45,824 | 46,287 |
| Professional fees | 2,425 | 218,102 | 2,711 | 28,878 | 252,116 |
| Office supplies | - | 61 | 4,020 | 9,112 | 13,193 |
| Postage | - | - | - | 623 | 623 |
| Telephone | - | 3,848 | 295 | 44,906 | 49,049 |
| Printing | - | - | - | 201 | 201 |
| Maintenance | - | 471,522 | 853 | 78,331 | 550,706 |
| Building rent | - | - | - | 27,255 | 27,255 |
| Rental equipment | - | - | 37,667 | 68 | 37,735 |
| Training | - | - | 5,960 | 5,420 | 11,380 |
| Business meetings | - | - | - | 3,617 | 3,617 |
| Insurance | - | 78,304 | - | 70,089 | 148,393 |
| Forfeiture outlay | - | - | - | 36,433 | 36,433 |
| Manpower reimbursement | 329,755 | - | 95,795 | 113,992 | 539,542 |
| Miscellaneous | 18 | 911 | 46,927 | 108,245 | 156,101 |
| Capital outlay | 19,726 | 200 | 10,646 | 67,901 | 98,473 |
| Debt service | - | 989,724 | - | - | 989,724 |
| Total expenditures | 354,581 | 1,763,641 | 204,874 | 772,852 | 3,095,948 |
| Excess of Revenue Over (Under) Expenditures | (9,577) | (79,279) | 185,638 | 23,816 | 120,598 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (Note 6) | - | - | - | 12,224 | 12,224 |
| Transfers out (Note 6) | - | - | (12,224) | - | (12,224) |
| Total other financing sources (uses) | - | - | (12,224) | 12,224 | - |
| Net Change in Fund Balance | (9,577) | (79,279) | 173,414 | 36,040 | 120,598 |
| Fund Balances (Deficit) - Beginning of year | (149,957) | 1,299,668 | 350,652 | 267,399 | 1,767,762 |
| Fund Balances (Deficit) - End of year | \$ (159,534) | \$ 1,220,389 | \$ 524,066 | \$ 303,439 | \$ 1,888,360 |

Downriver Mutual Aid

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended September 30, 2005

| | | |
|---|-----------|----------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 120,598 |
|---|-----------|----------------|

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|-----------|
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation | (850,816) |
|--|-----------|

| | |
|--|---------|
| Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) | 108,911 |
|--|---------|

| | |
|---|---------|
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 678,358 |
|---|---------|

| | | |
|--|-----------|----------------------|
| Change in Net Assets of Governmental Activities | \$ | <u>57,051</u> |
|--|-----------|----------------------|

Downriver Mutual Aid

Notes to Financial Statements September 30, 2005

Note I - Summary of Significant Accounting Policies

The accounting policies of Downriver Mutual Aid ("DMAid") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Downriver Mutual Aid:

Reporting Entity

DMAid is a program funded by member assessments of 18 communities of the southern Wayne County area of metropolitan Detroit, grants, charges for services, and adjudicated forfeiture funds. It was established to enhance the separate operations of the various communities through its mutual police, fire, auto theft, and narcotics divisions. DMAid is administered by Downriver Community Conference (DCC) and is coordinated with the Michigan State Police. DMAid has received approval of its interlocal agreement from the governor of the state of Michigan. This agreement recognizes DMAid as a separate legal entity.

The accompanying basic financial statements have been prepared in accordance with criteria established by the *Governmental Accounting Standards Board* for determining the various governmental organizations to be included in the reporting entity. In accordance with these criteria, there are no component units included in this reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of DMAid. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items not properly included among program revenues are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, DMAid considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: federal grant reimbursements will be collected after the period of availability; certain receivables have been recorded for these, along with "deferred revenue."

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

DMAid reports the following major governmental funds:

Highway Safety Fund - The Highway Safety Fund accounts for a federal program to provide additional law enforcement on area highways.

911 Fund - The 911 Fund accounts for the activity of the 911 services that are provided to the downriver communities.

Michigan State Police/Chief Fund - The Michigan State Police/Chief Fund accounts for the activities of joint undercover police drug task force operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide financial statements to the extent that those standards do not conflict with the standards of the *Governmental Accounting Standards Board*. DMAid has elected not to follow private-sector standards issued after November 30, 1989.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

Capital Assets - Capital assets, which include 911 equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by DMAid as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost.

911 equipment is depreciated using the straight-line method over useful lives of 6 to 20 years. Furniture and equipment and vehicles are depreciated over 3 to 7 years.

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Fund Deficits - DMAid has an accumulated fund deficit of \$159,534 in the Highway Safety Special Revenue Fund. The deficit is a result of \$159,534 of grant revenue not recorded as revenue in the current year due to GASB Statement No. 33, as discussed in Note 5. The deficit will be eliminated with the receipt of this revenue.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. DMAid is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

DMAid has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. Downriver Mutual Aid's deposits and investment policies are in accordance with statutory authority.

Downriver Mutual Aid's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, Downriver Mutual Aid's deposits may not be returned to it. Downriver Mutual Aid does not have a deposit policy for custodial credit risk. At year end, DMAid had approximately \$688,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. DMAid believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, Downriver Mutual Aid evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. DMAid's investment policy does not further limit its investment choices. As of year end, Downriver Mutual Aid had approximately \$990,000 invested in mutual funds that were unrated.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2005

Note 4 - Capital Assets

Capital asset activity of DMAid's governmental activities was as follows:

| | Balance October 1, 2004 | Additions | Balance September 30, 2005 |
|--------------------------------------|-------------------------------|---------------------|----------------------------------|
| Governmental Activities | | | |
| Capital assets being depreciated: | | | |
| Furniture and equipment | \$ 45,414 | \$ 9,716 | \$ 55,130 |
| Vehicles | 93,934 | - | 93,934 |
| 911 system | <u>10,967,077</u> | <u>-</u> | <u>10,967,077</u> |
| Subtotal | 11,106,425 | 9,716 | 11,116,141 |
| Accumulated depreciation: | | | |
| Furniture and equipment | 5,218 | 8,929 | 14,147 |
| Vehicles | 43,072 | 10,675 | 53,747 |
| 911 system | <u>3,363,713</u> | <u>840,928</u> | <u>4,204,641</u> |
| Subtotal | <u>3,412,003</u> | <u>860,532</u> | <u>4,272,535</u> |
| Net capital assets being depreciated | <u>\$ 7,694,422</u> | <u>\$ (850,816)</u> | <u>\$ 6,843,606</u> |

Depreciation expense was charged to programs as follows:

| | |
|----------------|-------------------|
| 911 system | \$ 840,928 |
| Other programs | <u>19,604</u> |
| Total | <u>\$ 860,532</u> |

As discussed in Note 8, the 911 system is being financed through debt issued by the City of Taylor. DMAid's pledge related to this financing transaction meets the criteria of a capital lease; therefore, the 911 system is reflected as a DMAid asset.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2005

Note 5 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | Revenue not Available to Finance Current Expenditures |
|----------------|---|
| Highway safety | \$ 159,534 |
| 911 | <u>230,125</u> |
| Total | <u>\$ 389,659</u> |

GASB Statement No. 33 requires all governmental fund revenue to be recognized only when available to finance expenditures of the current period (or received within 60 days of year end). The amounts deferred for this statement were not received within that time period and the revenue recognition had to be deferred.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|---------------------------------------|----------------------------------|------------------|
| Due to/from Other Funds | | |
| Nonmajor governmental fund - DRANO | Michigan State Police/Chief Fund | <u>\$ 35,465</u> |

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2005

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

| <u>Fund Providing Resources</u> | <u>Fund Receiving Resources</u> | <u>Amount</u> |
|----------------------------------|---------------------------------------|------------------|
| Michigan State Police/Chief Fund | Nonmajor governmental fund - DRANO | <u>\$ 12,224</u> |

The transfer to the nonmajor governmental funds from the Michigan State Police/Chief Fund was an operating transfer for various reasons.

Note 7 - Assets Held in Trust

DMAid holds cash and other assets seized as evidence. At September 30, 2005, the cash balance was \$15,500. In addition, DMAid holds other noncash assets related to pending cases. The value of the noncash assets has not been recorded. Upon resolution of the cases, the assets are either returned to the owners, destroyed, or become the property of DMAid. These assets have not been recorded by DMAid.

Note 8 - Long-term Debt

The outstanding debt balance of DMAid as of September 30, 2005 consists of a pledge to pay an installment purchase agreement between the City of Taylor (a member community) and a bank for the 911 system. The City of Taylor purchased a public safety radio communications system through an installment purchase agreement dated October 31, 2000. DMAid, as the emergency telephone district board acting on behalf of the Downriver Mutual Aid 911 Service District, has pledged current and future 911 user charge revenue for the repayment of debt. The debt is payable in monthly payments of principal and interest of \$82,477 through January 2011. The debt bears an interest rate of 6.45 percent. The 911 user charge legislation was recently extended and the user charge was increased. The 911 user charge legislation is to expire in 2006; however, DMAid's legal counsel has asserted that DMAid will be able to continue to assess the user charge until the debt is paid in full.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2005

Note 8 - Long-term Debt (Continued)

| | Interest Rate | Principal Maturity Ranges | Beginning Balance | Reductions | Ending Balance | Due Within One Year |
|---|------------------|---------------------------------|----------------------|-------------------|---------------------|------------------------|
| Governmental Activities | | | | | | |
| General obligation debt - Installment purchase agreement: | | | | | | |
| Amount of issue | | | \$302,761 - | | | |
| Maturing through 2011 | 6.45% | \$935,715 | <u>\$ 5,111,928</u> | <u>\$ 678,358</u> | <u>\$ 4,433,570</u> | <u>\$ 723,429</u> |

Annual debt service requirements to maturity for the above installment purchase agreement are as follows:

| | Principal | Interest | Total |
|-------|---------------------|-------------------|---------------------|
| 2006 | \$ 723,429 | \$ 266,295 | \$ 989,724 |
| 2007 | 771,494 | 218,230 | 989,724 |
| 2008 | 822,753 | 166,971 | 989,724 |
| 2009 | 877,418 | 112,306 | 989,724 |
| 2010 | 935,715 | 54,009 | 989,724 |
| 2011 | 302,761 | 4,386 | 307,147 |
| Total | <u>\$ 4,433,570</u> | <u>\$ 822,197</u> | <u>\$ 5,255,767</u> |

Note 9 - Restricted Assets

Restricted assets consist of cash and cash equivalents and accounts receivable as noted below. The amounts are restricted in accordance with the 911 operating agreement. At September 30, 2005, fund balance has been reserved in the 911 Fund for the entire balance of these restricted assets. In addition, the remaining fund balance of \$100,551 in the 911 Fund has been reserved for future 911 operating expenditures under State law.

The balances of the restricted asset accounts are as follows:

| | |
|-------------------------|---------------------|
| Cash | \$ 989,830 |
| Accounts receivable | <u>130,008</u> |
| Total restricted assets | <u>\$ 1,119,838</u> |

Downriver Mutual Aid

Notes to Financial Statements September 30, 2005

Note 10 - Risk Management

DMAid is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). DMAid has purchased commercial insurance for these claims. DMAid is also exposed to various risks of loss related to medical benefits provided to employees. DMAid is partially self-insured for these claims. DMAid is responsible for the first \$1,000 per occurrence for claims filed. The self-insured claims expense for the year ended September 30, 2005 was \$287. DMAid management estimates that there are no significant unpaid medical claims at year end. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 - Commitment

During the year, DMAid entered into several contracts for installation, repairs, and subscription services related to the 911 system. At September 30, 2005, the total amount of the contracts was \$913,455, with a remaining commitment of \$623,157.

Note 12 - Related Party Transactions

The directors and officers of Downriver Community Conference, a related organization, are also directors and officers of DMAid.

DCC performs administrative and accounting services for DMAid. During the year ended September 30, 2005, there were immaterial transactions related to the central cost allocation plan and expense reimbursements between DMAid and DCC.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2005

Note 12 - Related Party Transactions (Continued)

In addition, DMAid collects membership assessments from member communities. DMAid also reimburses member communities for various expenditures. These amounts are outlined below:

| | Membership Assessments | Manpower and Enhancement Reimbursement to Related Party | COPS Equipment Reimbursement |
|--------------------------|---------------------------|--|------------------------------------|
| Related party: | | | |
| City of Allen Park | \$ 19,531 | \$ 13,000 | \$ 11,763 |
| Brownstown Township | 15,284 | 34,425 | - |
| City of Ecorse | 7,466 | - | - |
| City of Flat Rock | 5,643 | - | - |
| City of Gibraltar | 2,835 | - | - |
| Grosse Ile Township | 7,243 | 10,862 | 2,939 |
| Huron Township | 9,133 | 13,000 | 10,032 |
| City of Lincoln Park | 26,599 | - | 36,875 |
| City of Melvindale | 7,137 | - | - |
| City of River Rouge | 3,386 | - | 15,094 |
| City of Riverview | 8,823 | 13,000 | - |
| City of Rockwood | 2,288 | - | - |
| City of Romulus | 15,278 | 23,019 | - |
| City of Southgate | 20,036 | 6,000 | 47,614 |
| City of Taylor | 43,792 | 40,382 | 8,729 |
| City of Trenton | 13,020 | - | - |
| City of Woodhaven | 8,331 | 3,750 | - |
| City of Wyandotte | 18,620 | 22,926 | - |
| Total related party | 234,445 | 180,364 | 133,046 |
| Nonrelated party amounts | 15,000 | 359,178 | - |
| Total | <u>\$ 249,445</u> | <u>\$ 539,542</u> | <u>\$ 133,046</u> |

Required Supplemental Information

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Highway Safety Fund Year Ended September 30, 2005

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|--------------------|-------------------|---------------------|------------------------------------|
| Fund Balance (Deficit) - Beginning of year | \$ - | \$ - | \$ (149,957) | \$ (149,957) |
| Resources (Inflows) - Federal grants | 379,131 | 385,475 | 345,004 | (40,471) |
| Charges to Appropriations (Outflows) | | | | |
| Salaries | 2,400 | 2,750 | 2,313 | 437 |
| Fringe benefits | 600 | 850 | 344 | 506 |
| Equipment | - | 19,726 | 19,726 | - |
| Professional services | 1,100 | 1,500 | 2,425 | (925) |
| Manpower reimbursement | 375,031 | 360,649 | 329,755 | 30,894 |
| Miscellaneous | - | - | 18 | (18) |
| Total charges to appropriations (outflows) | <u>379,131</u> | <u>385,475</u> | <u>354,581</u> | <u>30,894</u> |
| Fund Balance (Deficit) - End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (159,534)</u> | <u>\$ (159,534)</u> |

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - 911 Fund Year Ended September 30, 2005

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|-------------------|---------------------|---------------------|------------------------------------|
| Fund Balance - Beginning of year | \$ 1,038,094 | \$ 1,299,668 | \$ 1,299,668 | \$ - |
| Resources (Inflows) | | | | |
| Phone revenue (land line) | 1,235,000 | 1,235,000 | 1,299,505 | 64,505 |
| Phone revenue (cell phone - Wayne County) | 272,448 | 304,833 | 366,476 | 61,643 |
| Interest income | - | 3,000 | 18,381 | 15,381 |
| Total resources (inflows) | 1,507,448 | 1,542,833 | 1,684,362 | 141,529 |
| Charges to Appropriations (Outflows) | | | | |
| Salaries | 2,500 | 2,500 | 850 | 1,650 |
| Fringe benefit | 750 | 750 | 119 | 631 |
| Office supplies | 250 | 450 | 61 | 389 |
| Professional services | 15,000 | 7,500 | 11,779 | (4,279) |
| Communication costs | 4,000 | 4,250 | 3,848 | 402 |
| Insurance | 13,200 | 78,303 | 78,304 | (1) |
| Maintenance | 546,777 | 510,000 | 448,065 | 61,935 |
| Utilities | 50,000 | 30,000 | 23,457 | 6,543 |
| Subscriptions | 192,000 | 206,328 | 206,323 | 5 |
| Debt service | 989,724 | 989,724 | 989,724 | - |
| Miscellaneous | 500 | 500 | 911 | (411) |
| Capital outlay | - | - | 200 | (200) |
| Total charges to appropriations (outflows) | 1,814,701 | 1,830,305 | 1,763,641 | 66,664 |
| Fund Balance - End of year | \$ 730,841 | \$ 1,012,196 | \$ 1,220,389 | \$ 208,193 |

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - Michigan State Police/Chief Fund Year Ended September 30, 2005

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|--------------------------|--------------------------|--------------------------|------------------------------------|
| Fund Balance - Beginning of year | \$ 293,475 | \$ 350,650 | \$ 350,652 | \$ 2 |
| Resources (Inflows) - Forfeitures | 200,000 | 285,000 | 390,512 | 105,512 |
| Charges to Appropriations (Outflows) | | | | |
| Office supplies | 10,000 | 11,000 | 4,020 | 6,980 |
| Equipment | 2,000 | 4,315 | 10,646 | (6,331) |
| Professional services | - | 3,500 | 2,711 | 789 |
| Communication costs | 4,000 | 6,000 | 295 | 5,705 |
| Insurance | - | 6,500 | - | 6,500 |
| Rent | 33,000 | 35,000 | 37,667 | (2,667) |
| Maintenance | - | 750 | 853 | (103) |
| Manpower reimbursement | 155,000 | 180,000 | 95,795 | 84,205 |
| Undercover investigation | 50,000 | 50,000 | 46,927 | 3,073 |
| Training | - | 3,500 | 5,960 | (2,460) |
| Miscellaneous | - | 4,000 | - | 4,000 |
| Transfer out | - | - | 12,224 | (12,224) |
| Total charges to appropriations (outflows) | <u>254,000</u> | <u>304,565</u> | <u>217,098</u> | <u>87,467</u> |
| Fund Balance - End of year | <u>\$ 239,475</u> | <u>\$ 331,085</u> | <u>\$ 524,066</u> | <u>\$ 192,981</u> |

Downriver Mutual Aid

Note to Required Supplemental Information September 30, 2005

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for Special Revenue Funds. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. The amounts of expenditures outstanding at September 30, 2005 have not been calculated.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level

Excess of Expenditures Over Appropriations in Budgeted Funds - Downriver Mutual Aid did not incur expenditures that were significantly in excess of the amounts budgeted.

Other Supplemental Information

Downriver Mutual Aid

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds September 30, 2005

| | Special Revenue Funds | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|------------------|------------------|------------------|---------------------|---------------------|--|
| | Fire | COPS | Auto Theft | Police | Drug Enhancement | DRANO Operations | |
| Assets | | | | | | | |
| Cash and investments | \$ 63,043 | \$ - | \$ 57,956 | \$ 64,745 | \$ 110,195 | \$ - | \$ 295,939 |
| Due from other governmental units | 10,000 | 23,922 | - | - | 1,375 | - | 35,297 |
| Due from other funds | - | - | - | - | - | 35,465 | 35,465 |
| Total assets | <u>\$ 73,043</u> | <u>\$ 23,922</u> | <u>\$ 57,956</u> | <u>\$ 64,745</u> | <u>\$ 111,570</u> | <u>\$ 35,465</u> | <u>\$ 366,701</u> |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Bank overdraft | \$ - | \$ 18,735 | \$ - | \$ - | \$ - | \$ 7,335 | \$ 26,070 |
| Accrued and other liabilities | 1,308 | 5,187 | 658 | 2,898 | 10,542 | 2,495 | 23,088 |
| Due to other governmental units | - | - | - | - | 14,104 | - | 14,104 |
| Total liabilities | 1,308 | 23,922 | 658 | 2,898 | 24,646 | 9,830 | 63,262 |
| Fund Balances | | | | | | | |
| Reserved | - | - | 57,298 | - | 86,924 | 25,635 | 169,857 |
| Unreserved | 71,735 | - | - | 61,847 | - | - | 133,582 |
| Total fund balances | 71,735 | - | 57,298 | 61,847 | 86,924 | 25,635 | 303,439 |
| Total liabilities and fund balances | <u>\$ 73,043</u> | <u>\$ 23,922</u> | <u>\$ 57,956</u> | <u>\$ 64,745</u> | <u>\$ 111,570</u> | <u>\$ 35,465</u> | <u>\$ 366,701</u> |

Downriver Mutual Aid

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended September 30, 2005

| | Special Revenue Funds | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|----------------|------------------|------------------|---------------------|---------------------|---|
| | Fire | COPS | Auto Theft | Police | Drug Enhancement | DRANO Operations | |
| Revenue | | | | | | | |
| Membership assessments | \$ 73,202 | \$ - | \$ - | \$ 63,850 | \$ - | \$ 112,393 | \$ 249,445 |
| Federal grants | - | 287,224 | - | - | - | - | 287,224 |
| State and local grants | - | - | 19,733 | - | - | - | 19,733 |
| Reimbursements and other revenue | 17,510 | - | - | 7,630 | 20,438 | - | 45,578 |
| Forfeiture receipts: | | | | | | | |
| Federal | - | - | - | - | - | 7,124 | 7,124 |
| State | - | - | 6,321 | - | 110,972 | 70,271 | 187,564 |
| Total revenue | 90,712 | 287,224 | 26,054 | 71,480 | 131,410 | 189,788 | 796,668 |
| Expenditures | | | | | | | |
| Salaries | 1,886 | 25,835 | 31,054 | 4,500 | 24,884 | 43,798 | 131,957 |
| Fringe benefits | 493 | 3,445 | 5,737 | 1,049 | 15,802 | 19,298 | 45,824 |
| Office supplies | 503 | - | 24 | 5,208 | - | 3,377 | 9,112 |
| Postage | 79 | - | 22 | 89 | - | 433 | 623 |
| Professional fees | 2,097 | 20,695 | - | 2,600 | - | 3,486 | 28,878 |
| Telephone | 15,903 | - | 2,629 | 8,139 | 5,532 | 12,703 | 44,906 |
| Printing | 24 | - | - | 51 | - | 126 | 201 |
| Insurance | 25,229 | - | - | 19,016 | - | 25,844 | 70,089 |
| Maintenance | 543 | 74,937 | 120 | 467 | 100 | 2,164 | 78,331 |
| Building rent | 284 | - | 7,200 | 159 | 3,600 | 16,012 | 27,255 |
| Rental equipment | 68 | - | - | - | - | - | 68 |
| Training | 3,560 | - | - | 1,102 | - | 758 | 5,420 |
| Business meetings | 2,928 | - | 156 | 115 | - | 418 | 3,617 |
| Forfeiture outlay | - | - | 1,153 | - | 32,060 | 3,220 | 36,433 |
| Manpower reimbursement | - | - | - | - | 50,375 | 63,617 | 113,992 |
| Miscellaneous | 105 | 99,356 | 141 | 6,171 | - | 2,472 | 108,245 |
| Capital outlay | 7,820 | 56,721 | 140 | 1,797 | - | 1,423 | 67,901 |
| Total expenditures | 61,522 | 280,989 | 48,376 | 50,463 | 132,353 | 199,149 | 772,852 |
| Excess of Revenue Over (Under) | | | | | | | |
| Expenditures | 29,190 | 6,235 | (22,322) | 21,017 | (943) | (9,361) | 23,816 |
| Other Financing Sources - Transfers in | - | - | - | - | - | 12,224 | 12,224 |
| Net Change in Fund Balance | 29,190 | 6,235 | (22,322) | 21,017 | (943) | 2,863 | 36,040 |
| Fund Balances (Deficit) - Beginning of year | 42,545 | (6,235) | 79,620 | 40,830 | 87,867 | 22,772 | 267,399 |
| Fund Balances - End of year | \$ 71,735 | \$ - | \$ 57,298 | \$ 61,847 | \$ 86,924 | \$ 25,635 | \$ 303,439 |

Downriver Mutual Aid

**Federal Awards
Supplemental Information
September 30, 2005**

Downriver Mutual Aid

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Independent Auditor's Report

To the Board of Directors
Downriver Mutual Aid

We have audited the basic financial statements of Downriver Mutual Aid for the year ended September 30, 2005 and have issued our report thereon dated January 9, 2006. Those basic financial statements are the responsibility of the management of Downriver Mutual Aid. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Downriver Mutual Aid taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

January 9, 2006

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Downriver Mutual Aid

We have audited the financial statements of Downriver Mutual Aid as of and for the year ended September 30, 2005 and have issued our report thereon dated January 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Downriver Mutual Aid's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Downriver Mutual Aid's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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To the Board of Directors
Downriver Mutual Aid

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 9, 2006

Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
Downriver Mutual Aid

Compliance

We have audited the compliance of Downriver Mutual Aid with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. The major federal programs of Downriver Mutual Aid are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Downriver Mutual Aid's management. Our responsibility is to express an opinion on Downriver Mutual Aid's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Downriver Mutual Aid's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Downriver Mutual Aid's compliance with those requirements.

In our opinion, Downriver Mutual Aid complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

To the Board of Directors
Downriver Mutual Aid

Internal Control Over Compliance

The management of Downriver Mutual Aid is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Downriver Mutual Aid's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 9, 2006

Downriver Mutual Aid

Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

| Federal Agency/Pass-through Agency/Program Title | Pass-through Entity | | | |
|--|---------------------|-------------------------|-----------------|-------------------------|
| | CFDA Number | Project/Grant Number | Award Amount | Federal Expenditures |
| U.S. Department of Transportation - Passed through the Michigan Office of Highway Safety Planning - Highway Safety Project | 20.600 | PT-05-09 | \$ 385,475 | \$ 354,581 |
| U.S. Department of Justice: | | | | |
| COPS Technology Initiative | 16.710 | 2003CKWX0298 | 993,500 | 280,592 |
| COPS Technology Initiative | 16.710 | 2005CKWX0340 | 197,329 | 397 |
| Total COPS Technology Initiative | | | | 280,989 |
| Federal Equitable Sharing | 16.unknown | | 217,098 | 217,098 |
| Total U.S. Department of Justice | | | | 498,087 |
| Total federal awards | | | | \$ 852,668 |

Downriver Mutual Aid

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

| | |
|--|--------------------------|
| Revenue from federal sources - As reported on financial statements | \$ 1,010,963 |
| Add revenue not available to finance expenditures of the current period (GASB No. 33) | 3,342 |
| Less revenues receive in the current year, not expended | <u>(161,637)</u> |
| Federal expenditures per the schedule of expenditures of federal awards | <u>\$ 852,668</u> |

Downriver Mutual Aid

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Downriver Mutual Aid and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

| Federal Program Title | CFDA Number | Amount | |
|----------------------------|----------------|------------------------------|--------|
| | | Provided to Subrecipients | |
| COPS Technology Initiative | 16.710 | \$ | 99,686 |

Downriver Mutual Aid

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program(s):

| CFDA Numbers | Name of Federal Program or Cluster |
|--------------|------------------------------------|
| 20.600 | Highway Safety Program |
| 16.710 | COPS |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Downriver Mutual Aid

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2005

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

February 21, 2006

To the Members of the Board
and Management
Downriver Mutual Aid
15100 Northline Road
Southgate, MI 48195

Dear Members of the Board and Management:

We recently completed the audit of Downriver Mutual Aid (DMAid) for the year ended September 30, 2005. As part of the audit, and in addition to the financial and compliance report, we offer the following comments and suggestions for your consideration:

Fund Balance

The Highway Safety Special Revenue Fund had a fund deficit of approximately \$159,000 at September 30, 2005. Due to GASB No. 33, DMAid is not allowed to offset any expenditures with revenue if the related funds are not received within 60 days of year end. Therefore, grant reimbursements not received by November 30, 2005 are not recognized as revenue for the year under audit. Amounts that were deferred in the prior year due to GASB No. 33 were recognized as income in the current year. In an effort to minimize deficits related to this pronouncement rule, DMAid should continue to aggressively submit timely requests for reimbursements.

Other Items

As a result of our audit, we offer the following accounting-related suggestions for your consideration:

- Last year, we recommended DMAid develop monitoring procedures and perform appropriate monitoring activities related to the local communities that were subrecipients of the COPS grant. During our federal awards audit this year, we reviewed the monitoring procedures and noted that management had performed the procedures throughout the year. We would like to commend DMAid on their efforts and continue to encourage management to review its subrecipient monitoring procedures to ensure they include all necessary compliance requirements.
- During the audit, we noted instances where DRATT petty cash funds were being used to purchase items that should fall under DMAid's procurement and disbursement procedures. We recommend management review the internal controls related to the disbursement of petty cash funds to ensure that only appropriate transactions are reimbursed through the fund.

To the Members of the Board
and Management
Downriver Mutual Aid

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February 21, 2006

- DMAid has several funds that receive forfeiture monies. During the current year, it was discovered that a portion of these funds is federal, falling under the OMB Circular A-133 guidelines for reporting and compliance testing. We encourage DMAid management to review its procedures for identifying and recording forfeiture revenue and expenditures to ensure the transactions are appropriately classified as federal or state.

Thank you for the opportunity to serve Downriver Mutual Aid. We would like to extend our appreciation to your staff for the courtesy extended to us during the audit. Please contact us if you would like to discuss any of the matters mentioned above.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Stacey L. Reeves